

**KCRW FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

**KCRW FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
KCRW Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KCRW Foundation, Inc. (KCRW Foundation), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCRW Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As more fully described in Note 1 to the financial statements, KCRW Foundation was established to promote and provide support to the Santa Monica Community College District's radio station, KCRW-FM (89.9 FM) (the Station). In order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of operations of KCRW Foundation and the Station, the accounts of KCRW Foundation are presented in annual combined financial statements with the Station, and we refer the reader to those combined financial statements. Our opinion is not modified with respect to this matter.

To the Board of Directors  
KCRW Foundation, Inc.

**Report on Summarized Comparative Information**

We have previously audited KCRW Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

November 27, 2017  
Los Angeles, California

**KCRW FOUNDATION, INC.**

## STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Summarized Totals at June 30, 2016

<b>ASSETS</b>	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Cash and Cash Equivalents	\$ 9,765,287	\$ -	\$ 9,765,287	\$ 11,643,669
Investments	16,018,808	12,226,179	28,244,987	23,118,914
Contributions and Pledges Receivable	1,641,554	8,027,196	9,668,750	7,361,099
Prepaid Expenses and Other Assets	382,637	-	382,637	302,938
<b>TOTAL ASSETS</b>	<b>\$ 27,808,286</b>	<b>\$ 20,253,375</b>	<b>\$ 48,061,661</b>	<b>\$ 42,426,620</b>
 <b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 1,920,012	\$ -	\$ 1,920,012	\$ 1,220,895
<b>NET ASSETS:</b>				
Unrestricted - Undesignated	15,888,274	-	15,888,274	13,691,100
Unrestricted - Board Designated	10,000,000	-	10,000,000	10,000,000
Temporarily Restricted	-	20,253,375	20,253,375	17,514,625
<b>TOTAL NET ASSETS</b>	<b>25,888,274</b>	<b>20,253,375</b>	<b>46,141,649</b>	<b>41,205,725</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,808,286</b>	<b>\$ 20,253,375</b>	<b>\$ 48,061,661</b>	<b>\$ 42,426,620</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**KCRW FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT:</b>				
Contributions and Grants	\$ 9,439,296	\$ 5,813,357	\$ 15,252,653	\$ 16,212,713
Membership Donations	6,817,998	-	6,817,998	6,426,481
In-Kind Contributions	2,777,347	-	2,777,347	2,794,246
Donated Support from the Station	1,300,223	-	1,300,223	1,184,361
Channel Subcarriers	2,500	-	2,500	12,000
<b>TOTAL PUBLIC SUPPORT</b>	<b>20,337,364</b>	<b>5,813,357</b>	<b>26,150,721</b>	<b>26,629,801</b>
<b>OTHER REVENUE:</b>				
Investment Income	1,655,668	-	1,655,668	296,449
Other Income	30,501	-	30,501	35,691
Net Assets Released from:				
Purpose Restrictions	2,022,054	(2,022,054)	-	-
Time Restrictions	1,052,553	(1,052,553)	-	-
<b>TOTAL OTHER REVENUE</b>	<b>4,760,776</b>	<b>(3,074,607)</b>	<b>1,686,169</b>	<b>332,140</b>
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUE</b>	<b>25,098,140</b>	<b>2,738,750</b>	<b>27,836,890</b>	<b>26,961,941</b>
<b>OPERATING EXPENSES:</b>				
<b>Program Services:</b>				
Programming and Production	8,771,236	-	8,771,236	7,477,053
Broadcasting and Engineering	2,416,317	-	2,416,317	1,512,681
Program Information and Promotion	4,746,578	-	4,746,578	5,049,102
<b>TOTAL PROGRAM SERVICES</b>	<b>15,934,131</b>	<b>-</b>	<b>15,934,131</b>	<b>14,038,836</b>
<b>Support Services:</b>				
Management and General	1,777,080	-	1,777,080	1,685,259
Fundraising	5,189,755	-	5,189,755	4,967,996
<b>TOTAL SUPPORT SERVICES</b>	<b>6,966,835</b>	<b>-</b>	<b>6,966,835</b>	<b>6,653,255</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>22,900,966</b>	<b>-</b>	<b>22,900,966</b>	<b>20,692,091</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,197,174</b>	<b>2,738,750</b>	<b>4,935,924</b>	<b>6,269,850</b>
Net Assets - Beginning of Year	23,691,100	17,514,625	41,205,725	34,935,875
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 25,888,274</b>	<b>\$ 20,253,375</b>	<b>\$ 46,141,649</b>	<b>\$ 41,205,725</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**KCRW FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	2017									2016 Total Expenses
	Program Services				Support Services			Total Expenses		
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total	Management and General	Fundraising	Total			
Salaries	\$ 3,973,229	\$ 473,933	\$ 1,386,025	\$ 5,833,187	\$ 943,779	\$ 909,702	\$ 1,853,481	\$ 7,686,668	\$ 6,981,318	
Payroll Taxes	284,341	16,693	95,149	396,183	59,672	71,783	131,455	527,638	492,641	
Employee Benefits	356,453	117,936	142,631	617,020	148,953	57,697	206,650	823,670	673,158	
<b>TOTAL PERSONNEL COSTS</b>	<b>4,614,023</b>	<b>608,562</b>	<b>1,623,805</b>	<b>6,846,390</b>	<b>1,152,404</b>	<b>1,039,182</b>	<b>2,191,586</b>	<b>9,037,976</b>	<b>8,147,117</b>	
Professional Fees	1,451,550	59,319	553,668	2,064,537	273,471	2,476,465	2,749,936	4,814,473	3,635,071	
Advertising and Promotion	25,452	-	1,642,574	1,668,026	-	710,312	710,312	2,378,338	3,322,920	
Consultants	1,305,042	600	40,673	1,346,315	-	11,000	11,000	1,357,315	1,239,281	
Donated Support from the Station	776,601	31,287	199,194	1,007,082	140,794	152,347	293,141	1,300,223	1,184,361	
Equipment Purchases, Rental and Maintenance	123,725	1,088,770	11,062	1,223,557	20,362	12,998	33,360	1,256,917	741,386	
Telephone and Data Communications	56,549	301,662	286,556	644,767	7,483	6,445	13,928	658,695	517,018	
Investment Fees and Bank Charges	431	-	-	431	13,389	404,476	417,865	418,296	350,147	
Dues and Subscriptions	46,778	27,317	173,592	247,687	22,129	137,741	159,870	407,557	342,577	
Occupancy	62,462	265,661	300	328,423	30,349	2,556	32,905	361,328	282,577	
Postage	1,968	2,111	158,782	162,861	4,429	184,924	189,353	352,214	341,485	
Conferences and Travel	250,346	4,940	26,686	281,972	19,994	19,278	39,272	321,244	263,068	
Office Expense	19,448	1,826	6,339	27,613	41,362	16,249	57,611	85,224	107,744	
Printing	24,148	-	18,396	42,544	1,000	6,830	7,830	50,374	121,280	
Staff Development	5,371	15,965	4,329	25,665	20,068	4,355	24,423	50,088	26,614	
Insurance	-	6,860	-	6,860	22,897	-	22,897	29,757	28,693	
Gifts and Awards	7,342	-	622	7,964	2,820	4,597	7,417	15,381	19,818	
Taxes and Licenses	-	1,437	-	1,437	2,554	-	2,554	3,991	16,771	
Bad Debt Expense	-	-	-	-	1,575	-	1,575	1,575	4,163	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 8,771,236</b>	<b>\$ 2,416,317</b>	<b>\$ 4,746,578</b>	<b>\$ 15,934,131</b>	<b>\$ 1,777,080</b>	<b>\$ 5,189,755</b>	<b>\$ 6,966,835</b>	<b>\$ 22,900,966</b>		
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b>\$ 7,477,053</b>	<b>\$ 1,512,681</b>	<b>\$ 5,049,102</b>	<b>\$ 14,038,836</b>	<b>\$ 1,685,259</b>	<b>\$ 4,967,996</b>	<b>\$ 6,653,255</b>		<b>\$ 20,692,091</b>	

The Accompanying Notes are an Integral Part of These Financial Statements

**KCRW FOUNDATION, INC.****STATEMENT OF CASH FLOWS**

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 4,935,924	\$ 6,269,850
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	(921,061)	275,749
Bad Debt Expense	1,575	4,163
Increase in:		
Contributions and Pledges Receivable	(2,309,226)	(2,821,157)
Prepaid Expenses and Other Assets	(79,699)	(212,477)
Increase (Decrease) in Accounts Payable and Accrued Expenses	699,117	(502,132)
<b><i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i></b>	<u>2,326,630</u>	<u>3,013,996</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(16,277,117)	(2,183,400)
Interest and Dividends Reinvested	(705,683)	(547,213)
Proceeds from Sale of Investments	<u>12,777,788</u>	<u>1,683,439</u>
<b><i>NET CASH USED IN INVESTING ACTIVITIES</i></b>	<u>(4,205,012)</u>	<u>(1,047,174)</u>
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>	<u>(1,878,382)</u>	<u>1,966,822</u>
Cash and Cash Equivalents - Beginning of Year	<u>11,643,669</u>	<u>9,676,847</u>
<b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	<u>\$ 9,765,287</u>	<u>\$ 11,643,669</u>

The Accompanying Notes are an Integral Part of These Financial Statements



# **KCRW FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2017**

### **NOTE 1 - NATURE OF ORGANIZATION**

KCRW Foundation, Inc. (KCRW Foundation) was established to promote and provide financial support to the Santa Monica Community College District's radio station, KCRW-FM (89.9 FM) (the Station). The Station is owned and operated by the Santa Monica Community College District (the District) located in Santa Monica, California.

KCRW Foundation is a separate legal entity, a 501(c)(3) nonprofit public benefit corporation. KCRW Foundation maintains a separate Board of Directors and its activities are not governed or controlled by the Station. Support is derived from foundation grants, underwriting contributions, individual contributions, and membership donations.

Separation of activities between KCRW Foundation and the Station is not always clearly distinguishable and has developed over the years based on the need to raise additional funds through KCRW Foundation to support the Station's operations. Revenue is generated by both KCRW Foundation and the Station. Generally, the Corporation for Public Broadcasting funds are recognized by the Station, whereas underwriting revenue, membership donations, income from fundraising events, and other contribution revenues are recognized by KCRW Foundation. Expenses are shared, with the majority of payroll paid through KCRW Foundation. See Note 5 for other shared expenses with the Station.

Therefore, because of the nature and significance of KCRW Foundation's relationship with the Station, KCRW Foundation's accounts are presented in annual combined financial statements of the Station, which can be obtained from the District. The combined financial statements include the accounts of KCRW Foundation and the Station in order to achieve meaningful financial statements that fully and fairly disclose the financial position and results of operations of the Station.

KCRW is one of the nation's leading National Public Radio affiliates, featuring an eclectic mix of music, news, information, and cultural programming. A leader in public service media for over 35 years, KCRW is a primary news and cultural resource for generations of listeners and has informed and enriched the lives of millions of people across Southern California and around the world. KCRW boasts one of the nation's largest collections of locally-produced, nationally-distributed programming. The non-commercial broadcast signal reaches nearly 700,000 listeners weekly and is supported by approximately 52,000 members/subscribers. KCRW.com extends the Station's profile globally.

KCRW's award-winning, nationally syndicated programs reach millions of listeners around the world through digital distribution and syndication on 175 public media outlets. Each week KCRW produces over 100 hours of original news, music, and culture content-including award-winning, impactful, public service journalism-delivered on-air, online, and in person to diverse, curious communities. KCRW also invests in original podcast, broadcast, and digital programs that explore storytelling, design, music commentary, and experimental radio programming. KCRW is celebrated for its live events and partners with local organizations to offer over 100 live music and cultural events attended by over 200,000 people from throughout Southern California each year.

KCRW is a global leader in creating innovative digital public media content and adapting to emerging media platforms. KCRW was the first radio station to make its content available online through podcasts and streaming, and among the first to launch mobile and on-demand apps to provide free access to our content from anywhere in the world. KCRW continues to stream live music sessions from our digital player and archive full sessions on KCRW.com. KCRW offers 20 podcasts; 5 dynamic blogs; three 24/7 live web-streams; and a vibrant social network of over 3 million people. KCRW's original video content has amassed nearly 100 million views and 700,000 people have downloaded our suite of mobile apps.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### **NOTE 1 - NATURE OF ORGANIZATION** (continued)

KCRW's team of producers, DJs, and journalists has received many prestigious honors, including The George Foster Peabody Award, Edward R. Murrow Award, Los Angeles Press Club Awards, and Radio & Television News Directors Association Awards. KCRW's music team is widely recognized for discovering new music around the world and has a long history introducing emerging artists to American audiences.

#### **Program Highlights in 2017**

- Partnered with community-based organizations such as the Annenberg Space for Photography, the Hammer Museum, and the Hollywood Bowl, to produce new seasons of "Summer Nights" and "World Festival" concerts. Events attended by over 200,000 people across Southern California, Santa Barbara, and the Central Coast.
- Continued educational opportunities, including a Summer Marketing Internship Program that engages 100 interns from colleges around the country.
- Expanded field-building and professional development opportunities for media producers, including Independent Producer Project workshops and the 4th Annual 24-Hour Radio Race, engaging 233 teams from 8 countries (Australia, Canada, Mexico, New Zealand, Russia, Turkey, UK, US) and 32 U.S. states.
- Hosted new live public forums in Los Angeles and Santa Barbara around homelessness, gentrification, aging senior populations, and immigration.
- Created new original podcasts, documentaries, and special reporting series, including (1) "KCRW Investigates," a series of investigative reports that examine conditions affecting abused and unprotected workers in Los Angeles; (2) "Going Gray in L.A.," a multimedia series profiling individuals and families who are confronting the challenges of growing old in the heart of Los Angeles; (3) "Off The Block," a special limited podcast that takes us inside the L.A. County jail system; (4) "There Goes the Neighborhood: Los Angeles," an eight-episode podcast produced in partnership with WNYC Studios about neighborhood gentrification and the forces driving it in Los Angeles; (5) "Curious Coast," a citizen-led journalism project to engage the public in new ways of reporting on local issues and community interests.; and (6) "The Document," a new podcast about the stories behind documentary films.

#### **Capital Campaign Update**

In 2008 the District secured funds from the voter-approved bond Measure AA to construct the KCRW Media Center as part of renovations to its Center for Media and Design (CMD) campus. With over three times the Station's current studio space and digitally integrated public program space, the KCRW Media Center will serve as both a multi-purpose venue and state-of-the-art broadcast studio.

In 2013, KCRW Foundation launched the first major Capital Campaign in its history to support three objectives: (1) construct the KCRW Media Center, custom-designed to meet the Station's needs and connect the Station to audiences in new, profound ways; (2) invest in programming that moves the Station to new levels of excellence; and (3) create digital technologies that preserve the Station's mission amid an ever-changing media landscape.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 1 - NATURE OF ORGANIZATION (continued)

During the year ended June 30, 2017, the Station achieved the following outcomes:

1. Continued development of the 35,000-square-foot, state-of-the-art KCRW Media Center, which is scheduled to open in spring 2018.
2. Deepened investments in award-winning investigative, documentary, and enterprise journalism projects, transforming our sound and method of reporting on underrepresented communities to more accurately reflect and serve the public.
3. Produced "Sangre Celestial / Celestial Blood"-the first-ever radionovela podcast in both Spanish and English-featuring renowned Mexican actress Kate Del Castillo as the narrator.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The financial statements of KCRW Foundation have been prepared utilizing the accrual basis of accounting.

#### (b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of KCRW Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted - Undesignated.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted - Board Designated.** The Board has designated \$10,000,000 of unrestricted net assets as follows: \$5,000,000 for future programming initiatives, \$3,000,000 for infrastructure and \$2,000,000 for capital improvements.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **Temporarily Restricted.** KCRW Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. KCRW Foundation has \$20,253,375 of temporarily restricted net assets at June 30, 2017.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit KCRW Foundation to expend all of the income (or other economic benefits) derived from the donated assets. KCRW Foundation has no permanently restricted net assets at June 30, 2017.

#### (c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2017 approximates its fair value.

KCRW Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. KCRW Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### (d) INVESTMENTS

Investments in equity and debt securities are reported at fair value. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by KCRW Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by KCRW Foundation.

**KCRW FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Unconditional contributions are recognized as revenues at estimated fair value when the pledge is received. KCRW Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. At June 30, 2017, KCRW Foundation evaluated the collectability of contributions and pledges receivable and no allowance for uncollectible contributions and pledges receivable was deemed necessary.

**(f) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2017, KCRW Foundation recognized in-kind contribution revenue, primarily of advertising and promotion services, of \$2,777,347.

A substantial number of volunteers have donated significant amounts of their time to KCRW Foundation. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

**(g) MEMBERSHIP DONATIONS**

New and renewing membership donations are recognized as revenue when received.

**(h) ADVERTISING AND PROMOTION**

KCRW Foundation expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended June 30, 2017 was \$2,378,338.

**(i) INCOME TAXES**

KCRW Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue Code, and is exempt from federal and state taxes.

**(j) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing KCRW Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. KCRW Foundation uses full-time equivalents to allocate indirect costs.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(k) USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **(l) COMPARATIVE TOTALS**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KCRW Foundation's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

#### **(m) NEW ACCOUNTING PRONOUNCEMENTS**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For KCRW Foundation, the ASU will be effective June 30, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for KCRW Foundation for the year ending June 30, 2019. KCRW Foundation is currently evaluating the effect the provisions of ASU 2014-09 will have on its financial statements.

#### **(n) SUBSEQUENT EVENTS**

KCRW Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 27, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

# KCRW FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 3 - INVESTMENTS

KCRW Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

KCRW Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2017.

The following table presents information about KCRW Foundation's assets that are measured at fair value on a recurring basis at June 30, 2017, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 971,296	\$ 971,296	\$ -	\$ -
Mutual Funds:				
Equity	10,674,641	10,674,641	-	-
Fixed Income	10,627,383	10,627,383	-	-
Corporate Bonds	5,971,667	-	5,971,667	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 28,244,987</b>	<b>\$ 22,273,320</b>	<b>\$ 5,971,667</b>	<b>\$ -</b>

The fair value of mutual funds within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of corporate bonds within Level 2 was obtained based on market prices for identical or similar instruments traded in over-the-counter markets at the closing of the last business day of the fiscal year.

Investment income consists of the following for the year ended June 30, 2017:

Interest and Dividends	\$ 734,607
Net Realized and Unrealized Gains	921,061
<b>INVESTMENT INCOME</b>	<b>\$ 1,655,668</b>

**KCRW FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE**

At June 30, 2017, contributions and pledges receivable are due to be received as follows:

Within One Year	\$ 8,378,735
One to Five Years	<u>1,290,015</u>
<b><i>TOTAL CONTRIBUTIONS AND PLEDGES RECEIVABLE</i></b>	<b><u>\$ 9,668,750</u></b>

Contributions and pledges receivable at June 30, 2017 include in-kind contributions of advertising and promotion services to be received in future years of \$991,754.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

As described in Note 1, KCRW Foundation has an affiliation with Santa Monica Community College's radio station, KCRW-FM (89.9FM) (the Station). At June 30, 2017, included in accounts payable and accrued expenses was a payable of \$367,815 to the Station for reimbursement of expenses incurred by the Station on behalf of KCRW Foundation. The payable is unsecured, non-interest bearing and will be repaid in the ordinary course of operations.

During the year ended June 30, 2017, KCRW Foundation utilized facilities and equipment owned by the Station at no charge. In addition, certain costs incurred on behalf of KCRW Foundation by the Station were not and will not be reimbursed. The fair value of this support is recognized in the statement of activities as donated support and also as indirect in-kind expense in the functional expense categories of program, management and general, and fundraising. For the year ended June 30, 2017 indirect support of \$1,300,223 was received by KCRW Foundation, allocated on the basis of full-time equivalents.

KCRW Foundation and Santa Monica Community College District (the District) have an agreement, which specifies KCRW Foundation's responsibilities to provide operational support, personnel and fundraising for the benefit of the Station, and that the District shall provide support, necessary services and facility usage to KCRW Foundation. The District is currently constructing the KCRW Media Center, including the acquisition and installation of equipment and furniture to meet program needs as determined by the Station Manager in consultation with KCRW Foundation. KCRW Foundation has committed to contribute at least \$7 million for the design, construction, equipment and furnishing costs of the KCRW Media Center. Subject to the agreement, the District shall provide all other funds as needed to design, construct, equip, furnish, and relocate the Station to the KCRW Media Center.

**NOTE 6 - RETIREMENT PLAN**

KCRW Foundation sponsors a defined contribution retirement plan for all eligible employees. Eligibility begins after completion of three months of service. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. Additionally, KCRW Foundation will match employees' contributions up to 5% of eligible employees' compensation. Employer contributions for the year ended June 30, 2017 were \$153,578.



**KCRW FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Capital Campaign	\$ 17,064,464
Time Restricted	3,133,454
Music Match Campaign	34,809
Broadway Stories	12,614
ATC Summer Internship	3,520
Curious Coast	2,952
Internship - The Station	<u>1,562</u>
<b><i>TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b><u>\$ 20,253,375</u></b>